



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

# HIGHLIGHTS

May 30, 2012

## In-Office Cost System Inputs into the Cost and Revenue Analysis Report

Report Number CRR-AR-12-004

### **IMPACT ON:**

The U.S. Postal Service currently spends about \$69 million annually for its manual data collection efforts to prepare the Cost and Revenue Analysis report, which is a key component of the Postal Service's Annual Compliance Report provided to the Postal Regulatory Commission (PRC). This includes about \$13 million per year to collect data for the statistical In-Office Cost System (IOCS) report which is used to attribute labor costs to products and services.

### **WHY THE OIG DID THE AUDIT:**

Our objective was to determine whether the mail processing portion of labor costs could be attributed to products and services using available automated data. We evaluated the operational benefits of using automated data and process changes. We performed this review as part of our mandate under the Postal Accountability and Enhancement Act to audit the data collection systems and procedures the Postal Service uses in their rate-making process.

### **WHAT THE OIG FOUND:**

With additional system enhancements, the Postal Service could use data from mail processing systems to determine the mail processing portion of labor costs for products and services. With the proper system changes, the Postal Service could obtain the census data necessary for mail processing cost

determination. This would reduce dependence on manual data collection and could provide annual net savings of almost \$500,000. The system enhancements would also provide important benefits to cost control, mail acceptance, and revenue protection.

### **WHAT THE OIG RECOMMENDED:**

We recommended the chief financial officer and executive vice president explore replacing the current IOCS data collection model with an alternate system to determine mail processing costs and coordinate these changes with the PRC. We also recommended the vice president, Network Operations, link employee information to mail processing operations by requiring input of employee information into the Web End-of-Run system.

### **WHAT MANAGEMENT SAID:**

Management agreed with the recommendations, but disagreed with the cost savings estimates.

### **AUDITORS' COMMENTS:**

We consider management's comments responsive to the recommendations. We believe our savings estimate is conservative and is based only on the incremental labor cost investments needed, as other investment costs were accounted for in our earlier reports.